No. 05- 05-794

IN THE

Supreme Court of the United States

GMA ACCESSORIES, INC.,

Petitioner,

v.

OLIVIA MILLER, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

JOHN P. BOSTANY
THE BOSTANY LAW FIRM
Attorneys for Petitioner
GMA Accessories, Inc.
40 Wall Street
New York, New York 10005
(212) 530-4400

198339

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

QUESTIONS PRESENTED

Are frivolousness, motivation, and objective unreasonableness, factors which must at least be considered by a district court in deciding whether to award fees under the Copyright Act?

When the award of damages for infringement is nominal, should a prevailing copyright owner be presumptively entitled to reimbursement of legal fees?

PARTIES TO THE PROCEEDING

The caption contains all parties to these proceeding. GMA ACCESSORIES, INC (Plaintiff-Appellant) v. OLIVIA MILLER, INC. (Defendant-Appellee).

STATEMENT PURSUANT TO RULE 29.6

Petitioner, GMA Accessories, Inc, has no parent corporation and no publicly held company owns 10% or more of its stock.

Petitioner GMA Accessories, Inc. ("GMA"), respectfully requests that a writ of certiorari be issued to review the Order of the United States Court of Appeals for the Second Circuit in this case.

OPINIONS BELOW

The Opinion of the United States Court of Appeals for the Second Circuit denying Plaintiff-Appellant's petition for panel rehearing and petition for rehearing en banc is not published and is annexed as **App. D**. The Summary Order of the United States Court of Appeals, dated July 5, 2005, affirming the opinion of the United States District Court Southern District of New York is not published and is annexed as **App. A**. Judgment of the United States District Court Southern District of New York entered July 14, 2004 is not published and is annexed as **App. B**.

STATEMENT OF JURISDICTION

The Summary Order of the United States Court of Appeals for the Second Circuit was signed on July 5, 2005. The Court of Appeals denied a timely petition for rehearing and petition for rehearing en banc on September 14, 2005. This Honorable Court has jurisdiction pursuant to 28 U.S.C. Section 1254(1).

STATUTES INVOLVED

Section 505 of the Copyright Act provides that "in any civil action under this title, the court in its discretion may allow the recovery of all costs by or against any party other than the United States or any officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs". 17 U.S.C. § 505.

STATEMENT OF THE CASE

The Court of Appeals correctly sets forth the pertinent facts as follows: the defendant-appellant Olivia Miller, Inc. (hereinafter "infringer") "did not file an answer to GMA's complaint until August 22. In its answer, Olivia Miller denied GMA's claims and argued, *inter alia,* that GMA had failed to state a cause of action, that GMA did not own the copyright, and that the allegedly infringing designs were 'independently created'". The infringer also denied substantial similarity of the almost identical designs.

There can be no quarrel that these defenses were frivolous and objectively unreasonable in both the factual and the legal sense insofar as *after the copyright owner was forced to engage in discovery and file a dispositive motion, defendant conceded* liability and testified at trial *that it blindly copied the designs without inquiry.* It also readily retracted its affirmative defense concerning similarity of the designs which, it is respectfully submitted are not discernible from each other and were confessed at trial to be almost identical. But the district court never even addressed the unreasonableness or frivolousness of the defenses and their impact on attorney's fees, specifically deciding the issue on other factors including the fact that it had awarded only nominal statutory damages. The decision on the attorney's fee motion was decided in a separately issued opinion six months after the bench trial.

REASONS FOR GRANTING THE PETITION

The Court of Appeals, in upholding a departure from the requirement that frivolousness and/or unreasonableness of a defendant be considered in attorney's fee applications under the Copyright Act, is in conflict with other circuits and fails to follow a prior opinion of this honorable Court.

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THE DECISION OF THE COURT OF APPEALS CONFLICTS WITH THE OPINIONS OF OTHER CIRCUITS AND FAILS TO CONSIDER FACTORS ESTABLISHED BY THIS HONORABLE COURT.

In *Fogerty v. Fantasy*, 510 U.S. 517, 534, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994), this Court noted that while exercising its discretion in awarding attorney's fees, the court may consider various factors, namely, "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case)."

Subsequent to *Fogerty,* most circuits have afforded the objective reasonableness factor substantial weight in determining whether to award attorneys' fees. *See Matthew Bender v. West Pub. Co.*, 240 F.3d 116, 121 (2d Cir. 2001) ("objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted"); *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 74 (1st Cir. 1998) (affirming denial of fees because copyright holder's "claims were neither frivolous nor objectively unreasonable"); *Harris Custom Builders Inc. v. Hoffmeyer,* 140 F.3d 728, 730-31 (7th Cir. 1998) (vacating award of fees because, *inter alia,* losing party's claims were objectively reasonable); *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 890 (9th Cir. 1996) (awarding fees because, *inter alia,* plaintiff's claims were "factually unreasonable"); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994) (affirming award of fees because, *inter alia,* "the objective reasonableness factor strongly *122 weigh[ed] in favor of awarding attorney's fees and costs").

"This emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition that any factor a court considers in deciding whether to award attorneys' fees must be "faithful to the purposes of the Copyright Act." *Matthew Bender v. West Pub. Co., supra* (quoting *Fogerty v. Fantasy*, 510 U.S. at 534

n. 19, 114 S. Ct. 1023). Here, the court's reasoning behind its ruling was completely devoid of any consideration of frivolousness or objective unreasonableness. Instead, in deciding the question, the lower court relied exclusively upon precedent from 1983 and 1989, failing to even cite *Fogerty v. Fantasy.*

The Court of Appeals correctly held that "frivolousness, motivation, objective unreasonableness" are the proper considerations (See p. 6 of Appendix B). However the panel goes on to hold that the district court did not abuse its discretion in setting a fee award of $5000, based on "GMA's 3 week delay in bringing its suit; the small size of actual damages; the limited scope of the infringement; and counsel's belated attempts to accept an offer of judgment only after learning of the size of the statutory damages award".

This holding not only departs from *Fogerty* as well as the holdings of the 4th, 7th and 9th Circuits but is in direct conflict with a recent opinion by Chief Judge Posner who suggests that *Fogerty* be modified so that copyright owners that only recover nominal statutory damages be presumptively entitled to fees so that copyright owners have at least some incentive to protect their art work. *See e.g. Gonzales v. Transfer Techs.*, 301 F.3d 608, 610 (7th Cir. 2002).

It is respectfully submitted that had the district court followed *Fogerty,* it would have at least awarded the copyright owner those fees that the copyright owner was forced to expend between the time that the infringer asserted the frivolous defenses until the time the infringer finally decided to withdraw them after defaulting on a summary judgment motion.

Clearly the purpose of the Act is thwarted if copyright owners like GMA that go through the enormous cost of hiring artists to create original art, are discouraged from protecting their artwork in the future with the knowledge that they will have to finance a case of blatant copying by a wealthy infringer like Olivia Miller, Inc. that does not have an art department and

that tactically decides to assert copy defenses to wear down the artist. The question becomes, is it more profitable to copy than to create?

CONCLUSION

Wherefore, it is respectfully requested that this case be remanded to the district court for consideration of the objective unreasonableness of the infringer's defenses in its calculation of the fees to be awarded.

Respectfully submitted,

JOHN P. BOSTANY
THE BOSTANY LAW FIRM
Attorneys for Petitioner
GMA Accessories, Inc.
40 Wall Street
New York, New York 10005
(212) 530-4400

APPENDIX

APPENDIX A — SUMMARY ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DATED JULY 5, 2005

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

No. 04-4465-cv

GMA ACCESSORIES, INC.,

Plaintiff-Appellant,

v.

OLIVIA MILLER, INC.,

Defendant-Appellee.

July 5, 2005

SUMMARY ORDER

UPON DUE CONSIDERATION, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the judgment of the District Court is **AFFIRMED.**

GMA Accessories, Inc. ("GMA") appeals the district court's award of $2,000 in statutory damages and $5,000 in attorney's fees in its copyright infringement action against Olivia Miller, Inc. ("Olivia Miller"). GMA argues (1) that the district court erred in finding that Olivia Miller's admitted infringement was not willful within the meaning of the

Copyright Act, 17 U.S.C. § 504(c)(2); and (2) that the district court's fee award was too low, in light of Olivia Miller's assertion of a frivolous defense and its failure to comply fully with the terms of a preliminary injunction. For the reasons stated below, we affirm the district court's judgment.

Background

Olivia Miller manufactures and imports casual footwear that it then sells to retailers and other wholesalers. Sometime in late fall 2002, Olivia Miller was approached by a representative of Deb Shops, a retailer and customer of Olivia Miller's, with a request to replicate a floral pattern on a "flip-flop." It appears as though the model flip-flop that the Deb Shops representative presented to Olivia Miller did not contain a copyright notice. Rather, a copyright notice had apparently been placed only on the connecting "hang-tag," which was not attached to the flip-flop that the Deb Shops representative presented. Olivia Miller agreed to replicate the design, and Deb Shops placed an initial order of 600 pairs, with a back-up order of an additional 600 pairs if necessary. Deb Shops eventually returned 132 of the flip flops, leaving Olivia Miller with a profit of $712.20.

GMA creates original designs that it places on clothing and footwear. One such GMA design was the floral pattern that Olivia Miller agreed to replicate for Deb Shops. According to GMA, a GMA employee noticed the design at issue on a flip-flop on sale at a Rockland County retail store on June 8, 2003. Just over three weeks later, on June 30, 2003, GMA began the present suit charging Olivia Miller

with copyright infringement in violation of the Copyright Act.[1]

The following day, Chief Judge Mukasey issued a "show-cause order" to Olivia Miller, with a hearing set for July 10, 2003. As no representative of Olivia Miller attended the show-cause hearing, the Chief Judge issued a default preliminary injunction against Olivia Miller. The order enjoined Olivia Miller from, inter alia, importing, manufacturing, selling, or marketing merchandise containing the allegedly infringing design. The order also required Olivia Miller to forward a copy of the preliminary injunction to its supplier and to those of its customers who had received merchandise bearing the allegedly infringing design.

Apparently satisfied by a representation from a Deb Shops employee that it would not be difficult to settle the conflict with GMA, Olivia Miller did not forward a copy of the preliminary injunction either to its customers or to its supplier, and did not file an answer to GMA's complaint until August 22. In its answer, Olivia Miller denied GMA's claims and argued, inter alia, that GMA had failed to state a cause of action, that GMA did not own the copyright, and that the allegedly infringing designs were "independently created." On October 3, 2003, GMA filed a motion for contempt,

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1. Deb Shops was an original defendant, but GMA voluntarily dismissed its claims against Deb Shops on July 10, 2003. The complaint also charged Olivia Miller with trade dress infringement under the Lanham Act, 15 U.S.C. § 1125(a), and unfair competition. GMA withdrew the trade dress claim on October 27, 2003. The unfair competition claim was not addressed by the district court and is not raised before us.